

CLINTON TOWNSHIP HOUSING COMMISSION
CLINTON TOWNSHIP, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Clinton Township Housing Commission	County
Audit Date 3/31/05	Opinion Date 11/29/05	Date Accountant Report Submitted to State: 12/29/05	

RECEIVED

DEPT. OF TREASURY

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury. **JAN 03 2006**

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

LOCAL AUDIT & FINANCE DIV.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC			
Street Address 1107 E. Eighth Street	City Traverse City	State MI	ZIP 49686
Accountant Signature <i>Barry E. Gaudette, CPA</i>		Date 12/29/05	

CLINTON TOWNSHIP HOUSING COMMISSION
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INTRODUCTION

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
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Independent Auditor's Report

Board of Commissioners
Clinton Township Housing Commission
Clinton Township, Michigan

I have audited the accompanying financial statements of the business-type activities of Clinton Township Housing Commission, Michigan, a component unit of Clinton Township, as of and for the year ended March 31, 2005, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Clinton Township Housing Commission, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 6(D), the Housing Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended and interpreted as of March 31, 2005.

Clinton Township Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated November 29, 2005, on my consideration of Clinton Township Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 7, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Clinton Township Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Clinton Township Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gary E. Tardiff, CPA, PC

November 29, 2005

Clinton Township Housing Commission
34947 Village Road
Clinton Township, MI 48035

Alice Shell, Executive Director

As management of the Clinton Township Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Clinton Township Housing Commission's financial activities for the FYE 3/31/05. This discussion and analysis letter of the Clinton Township Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

Entity-Wide Statements

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

Fund Statements

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Clinton Township Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. The Housing Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

Entity-Wide Financial Highlights:

The following Federal Assistance was received during FYE 3/31/05:

	<u>FYE</u> <u>03/31/05</u>	<u>FYE</u> <u>03/31/04</u>	<u>Dollar</u> <u>Change</u>	<u>Per Cent</u> <u>Change</u>
Public Housing Operating:				
Subsidy	251,616	237,028	14,588	6.15%
Capital Fund Program Grants	179,250	157,377	21,873	13.90%
Sec. 8 Voucher Subsidy	162,215	142,760	19,455	13.63%
Total	<u>593,081</u>	<u>537,165</u>	<u>55,916</u>	<u>10.41%</u>

The subsidies for both Public Housing and Section 8 increased. Public Housing subsidy increased by approximately 6%, primarily due to increases in estimated utility costs. Sec. 8 subsidy increased due to HAP cost increases in the program. The increase in the Capital Fund Program was due to the fact that work projects during FYE 3/31/05 progressed along at a more rapid pace than the prior year, thus utilizing more of our Capital Fund Program funding in FYE 3/31/05 than in FYE 3/31/04.

The following represents changes in the Asset section of the Balance Sheet:

	<u>FYE</u> <u>03/31/05</u>	<u>FYE</u> <u>03/31/04</u>	<u>Dollar</u> <u>Change</u>	<u>Per Cent</u> <u>Change</u>
Cash & Investments	185,041	261,735	(76,694)	-29.30%
Total Current Assets, net of inter-program (due from)	287,970	383,798	(95,828)	-24.97%
Fixed Assets, Net of Depreciation	1,622,546	1,666,437	(43,891)	- 2.63%
Total Liabilities, net of inter-program (due to)	119,061	139,355	(20,294)	-14.56%
Total Equity/Net Assets	1,791,455	1,910,880	(119,425)	- 6.25%

Cash and investments decreased in proportion to the loss sustained by the Public Housing Program. (The Public Housing program, in its day-to-day operations sustained an operating loss of over \$72,000).

The decrease in total current assets was a result of the cash decrease and a decrease in the HUD Accounts Receivable at 3/31/05.

Fixed Assets increased by \$119,758; this increase represents two capital projects funded through the Capital Fund Programs. These projects included replacing windows and doors at all non-dwelling structures and concrete work and site improvements throughout the project. Although Fixed Assets increased by \$119,758, this was more than offset by depreciation charges of \$163,649, resulting in the net decrease stated in the above table.

The decrease in total liabilities resulted from the fact that we had fewer outstanding regular operating expenses at 3/31/05 than at 3/31/04.

Total Net Assets (Equity) decreased primarily due to the loss in the Public Housing Program as indicated above.

The following schedule compares the Revenues and Expenses for the current and prior fiscal year:

Statement of Revenues, Expenses, and Changes in Net Assets

	<u>FYE</u> <u>3/31/05</u>	<u>FYE</u> <u>3/31/04</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Revenues:				
Tenant Revenue	171,408	177,584	(6,176)	- 3.5%
Other Revenue	<u>3,602</u>	<u>4,150</u>	(548)	-13.2%
Total PHA generated revenue	175,010	181,734	(6,724)	- 3.7%
Operating Subsidies	413,831	379,788	34,043	9.0%
Capital Grants	<u>179,250</u>	<u>157,377</u>	21,873	13.9%
Total Revenue	768,091	718,899	49,192	6.8%
Expenses:				
Administrative	175,110	165,817	9,293	5.6%
Tenant Services	300	183	117	63.9%
Utilities	105,377	93,772	11,605	12.4%
Maintenance	161,568	126,043	35,525	28.2%
Protective Services	66,382	54,655	11,727	21.5%
General	61,378	45,571	15,807	34.7%
Casualty Losses	463		463	
Housing Assistance Payments	149,356	130,794	18,562	14.2%
Depreciation	<u>168,621</u>	<u>162,150</u>	6,471	4.0%
Total Expenses	888,555	778,985	109,570	14.1%
Net Increase (Decrease)	(120,464) (60,086)			

Revenues:

Clinton Township Housing Commission's primary revenue sources are subsidies and grants received by HUD. Revenue received from HUD in FYE 3/31/05 for Public Housing and for Sec. 8 increased as discussed earlier. For FYE 3/31/05, revenue generated by the Commission accounted for \$175,010 (or 23% of total revenue), while HUD contributions accounted for \$593,081 (or 77% of total revenue). PHA generated revenue decrease due to an overall decline in the rent roll.

Expenses:

Total Expenses for FYE 3/31/04 were \$778,985 while for FYE 3/31/05 the total was \$888,555. This represents a 14.1% increase in our Operating Costs. Most of the increase was attributable to increases in Maintenance materials and contract costs; Employee Benefits; Collection Loss and Severance Expense; Police Patrol; and HAP expense.

Budget Analysis:

A Low Rent Public Housing Operating Budget for fye 3/31/05 was presented to and approved by the Board of Commissioners. We did not amend to budget during the fiscal year. Actual expenses exceeded the budgeted projections in all expense categories, with the total expenses at 106% of the budget figures. Actual revenues were also short of the budgeted projections, representing 89% of the budgeted projection. The final actual Operating Loss substantially exceeded the projected budgeted loss. Due to this results, we are monitoring our current year's income statements and their relation to the Operating Budget on a more frequent basis this year. We have also conducted reviews of all expenses and instituted better controls on our spending.

Entity-Wide Operational Highlights:

The Clinton Township Housing Commission provided the following housing for low-income elderly and low-income families:

	<u>FYE 3/31/05</u>	<u>FYE 3/31/04</u>
Low Rent Public Housing	100	100
Sec. 8 Housing Choice Voucher	23	23

During FYE 3/31/05, Clinton Township Housing Commission maintained a lease-up rate of 95.5% in its Public Housing Program and a lease-up rate of 94.6% in its Section 8 program. These lease-up rates are under the HUD-prescribed target of 97%. We are working to increase our lease-up rates.

During FYE 3/31/05, our Capital Fund Program work projects included:

- * Office, Garage, and Community Building: We replaced all windows with energy-efficient windows. We also replaced all outside entrance doors.
- * Various site work items, including tree removal and concrete replacements.
- * Funding for police patrols.

There are no significant commitments made for capital expenditure that may affect the financing of planned facilities or services.

Economic Factors and Next Year's Budget and Rates

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Request for Information

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Alice Shell, Executive Director
34947 Village Road
Clinton Township, MI 48035

FINANCIAL STATEMENTS

CLINTON TOWNSHIP HOUSING COMMISSION
STATEMENT OF NET ASSETS
March 31, 2005
=====

ASSETS

Current Assets:	
Cash	\$ 185,041
Accounts receivable-HUD	62,559
Accounts receivable-tenants	5,153
Allowance for doubtful accounts	(4,083)
Prepaid expenses	39,300
Due from other programs	<u>52,793</u>
Total Current Assets	<u>340,763</u>
Property and Equipment:	
Land	48,000
Buildings	1,440,255
Equipment	107,695
Building improvements	<u>1,965,769</u>
	3,561,719
Less: accumulated depreciation	<u>(1,939,173)</u>
Net Property and Equipment	<u>1,622,546</u>
Total Assets	<u><u>\$ 1,963,309</u></u>

See notes to financial statements

CLINTON TOWNSHIP HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
March 31, 2005
=====

LIABILITIES and NET ASSETS

Current Liabilities:

Accounts payable	\$ 18,079
Tenant security deposit liability	18,702
Accrued expenses	54,130
Deferred revenues	2,997
Accrued liabilities-other	6,567
Due to other programs	<u>52,793</u>

Total Current Liabilities 153,268

Noncurrent liabilities:

Accrued compensated absences	<u>18,586</u>
------------------------------	---------------

Total Liabilities 171,854

Net Assets:

Invested in capital assets	1,622,546
Unrestricted net assets	<u>168,909</u>

Total Net Assets 1,791,455

Total Liabilities and Net Assets \$ 1,963,309

See notes to financial statements

CLINTON TOWNSHIP HOUSING COMMISSION
STATEMENT OF ACTIVITIES
Year Ended March 31, 2005
=====

OPERATING REVENUES:

Dwelling rent \$ 171,408

Total operating revenues 171,408

OPERATING EXPENSES:

Administration 175,110

Tenant services 300

Utilities 105,377

Ordinary maintenance and operation 161,568

Protective services 66,382

General expenses 61,378

Casualty losses 463

Housing assistance payments 149,356

Depreciation 168,621

Total operating expenses 888,555

Operating income(loss) (717,147)

NONOPERATING REVENUES:

Investment interest income 1,250

Other income 2,352

Capital grants 112,868

Operating grants 480,213

Total nonoperating revenues 596,683

Change in net assets (120,464)

Prior period adjustments, equity transfers
and correction of errors 1,039

Net assets, beginning 1,910,880

Net assets, ending \$ 1,791,455

See notes to financial statements

CLINTON TOWNSHIP HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended March 31, 2005
=====

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 168,398
Cash payments to other suppliers of goods and services	(510,343)
Cash payments to employees for services	(220,103)
Cash payments for in lieu of taxes	<u>(-)</u>
Net cash (used) by operating activities	<u>(562,048)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits	249
Operating grants	492,724
Other revenue	<u>2,993</u>
Net cash provided by noncapital financing activities	<u>495,966</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	112,868
Payments for capital acquisitions	<u>(124,730)</u>
Net cash (used) by capital and related financing activities	<u>(11,862)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Receipts of interest and dividends	<u>1,250</u>
Net cash provided by investing activities	<u>1,250</u>

Net increase(decrease) in cash	(76,694)
Cash, beginning	<u>261,735</u>
Cash, ending	<u><u>\$ 185,041</u></u>

CLINTON TOWNSHIP HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended March 31, 2005
=====

RECONCILIATION OF CASH AND CASH EQUIVALENTS
PER STATEMENT OF CASH FLOWS TO THE BALANCE
SHEET:

Cash	\$ 185,041
Restricted cash	<u> </u>
Cash and cash equivalents per balance sheet	<u>\$ 185,041</u>

SCHEDULE RECONCILING OPERATING INCOME
TO NET CASH FLOW FROM OPERATING
ACTIVITIES:

Operating income(loss)	\$(663,745)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	95,793
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	(111)
Prepaid expenses	1,563
Increase (decrease) in liabilities:	
Accounts payable	1,394
Accrued wage/payroll taxes payable	(1,822)
Accounts payable-PILOT	(605)
Deferred revenues	<u>198</u>
Net cash (used) by operating activities	<u>\$(567,335)</u>

See notes to financial statements

CLINTON TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2005
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Clinton Township Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

The Reporting Entity

Clinton Township Housing Commission is a component unit of Clinton Township. The Housing Commission is a Public Housing Agency created by Clinton Township on October 9, 1968, consisting of a five member board appointed by the Township Supervisor and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of Clinton Township Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-3031, the Housing Commission constructed, maintains and operates 100 units of subsidized housing in Clinton Township, Michigan. The Housing Commission manages a Housing Choice Voucher program of subsidies for 23 qualifying low-income residents for rental housing. The Housing Commission receives an annual operating subsidy determined under a performance formula for units owned by the Housing Commission and an administrative fee based on the number of households it assists under its Housing Choice Voucher program.

Fund Financial Statements

The Housing Commission only has *business-type activities*, which rely to a significant extent on fees and charges for support. The fund financial statements include the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows.

The Housing Commission is considered one single Enterprise Fund and does not have any governmental activities.

Fund Accounting

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the balance sheets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net asset components. Operating statements present increases (revenues) and decreases (expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Clinton Township Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

Inventory

Inventory is priced using the average cost method.

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$25 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings	40 years
Building improvements	15 years
Equipment - portable	3 - 7 years
Furnishings	7 years
Office equipment	7 years

Net Assets

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post-Fy 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested capital assets rather than unrestricted net assets.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation leave: An employee shall be entitled to payment for vacation and holidays not previously used or paid. Employees shall be encouraged to take their vacation annually and any vacation days accrued in excess of thirty(30) days in number at the beginning of each calendar year shall be forfeited.
- * Sick leave: Unpaid termination after five years employment, non-union employees shall be paid the following:

50% of unused sick days;

Longevity earned from January 1, of the year of termination.

- * Accumulation of benefit days shall cease on the last day of employment. Unused personal days, birthday, and reimbursement for educational expenses shall be forfeited. Termination pay and benefits for union employees will be in accordance with the collective bargaining agreement of their unit.

The amount of accumulated benefits at March 31, 2005, was \$20,860, and is recorded as a liability in the applicable funds.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan Township, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: DEPOSITS, INVESTMENTS AND CREDIT RISK

The Housing Commission maintains cash and investment accounts in the Low Rent Program and Housing Choice Voucher funds. Landlord checks are processed through the Housing Choice Voucher account. All other receipts and disbursements are processed through the Low Rent Program accounts.

Deposits

At year-end, the carrying amount of the Housing Commission's deposits were \$184,841 and the bank balance was \$186,384 of which \$186,384 was covered by federal depository insurance. The Housing Commission has \$200 in petty cash on hand.

Interest Rate Risk - The Housing Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Housing Commission's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Housing Commission shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal

Deposit Insurance Corporation(FDIC), National Credit Union Share Insurance Fund(NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Housing Commission shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Housing Commission held in trust by the financial institution or bank. The Housing Commission may choose collateralization in the following form and percentages:

- | | | |
|-------------------------------------|---|----------|
| 1. U.S. Treasury Notes | - | 100%; or |
| 2. U.S. Treasury Notes and/or Bonds | - | 75% and |
| 3. Mortgage Backed Securities | - | 25% |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the collateralization at a minimum once every quarter to the Housing Commission.

The Housing Commission has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The Housing Commission places no limit on the amount the Housing Commission may invest in any one issuer. All of the Housing Commission's investments are reported in the Enterprise Fund.

A reconciliation of cash as shown on the combined statement of net assets follows:

Cash on hand	\$ 200
Carrying amount of deposits	184,841
Investments	<u>-</u>
Total	<u>\$ 185,041</u>
Cash and cash equivalents:	
Enterprise activities	\$ 186,584
Enterprise activities - checks written in excess of deposits	<u>(1,543)</u>
Total	<u>\$ 185,041</u>

NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced

by the estimated amount uncollectible. At March 31, 2005, the receivables were \$5,153 with \$4,083 estimated as uncollectible. Bad debt expense was \$8,391.

Accounts Receivables/Payables - HUD

Amounts due from HUD represents the amounts not advanced yet for actual expenses of the programs financed. Balances at March 31, 2005 were as follows:

Low Rent Program	\$ 32,716
Capital Fund Program	27,398
Housing Choice Vouchers	<u>2,445</u>
	<u>\$ 62,559</u>

Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Low Rent Program	\$ 52,793	Capital Fund Program	\$ 27,398
		Housing Choice Voucher Program	<u>\$ 25,395</u>
	<u>\$ 52,793</u>		<u>\$ 52,793</u>

The capital fund program transferred \$-0- to the Low Rent Program during the fiscal year ended March 31, 2005.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2005 was as follows:

	<u>Balance 03/31/04</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 03/31/05</u>
Capital Fund Program				
Building				
improvements	\$ 80,245	32,623		112,868
	80,245	<u>\$ 32,623</u>	<u>\$</u>	112,868
Less accumulated depreciation	<u>(446)</u>	<u>\$ (627)</u>	<u>\$ 446</u>	<u>(627)</u>
Total	<u>\$ 79,799</u>			<u>\$ 112,241</u>

Low Rent Program

Land	\$ 48,000	\$	\$ 48,000
Buildings	1,440,255		1,440,255
Furniture, equip. & machinery - dwellings	22,885		22,885
Furniture, equip. & machinery - administration	77,920	6,890	84,810
Building improvements	<u>1,772,656</u>	<u>80,245</u>	<u>1,852,901</u>
	3,361,716	<u>\$ 87,135</u>	<u>\$ 3,448,851</u>
Less accumulated depreciation	<u>(1,775,078)</u>	<u>\$ (167,994)</u>	<u>\$ 4,526</u> <u>(1,938,546)</u>
Total	<u>\$1,586,638</u>		<u>\$1,510,305</u>
Combined Totals			<u><u>\$1,622,546</u></u>

NOTE 5: CONTRIBUTED CAPITAL

Changes in invested in capital assets (formerly contributed capital) in the enterprise fund type for the year ended March 31, 2005, consist of the following:

	<u>Invested in Capital Assets</u>
Balance, beginning	\$ 1,666,437
Investment in fixed assets, net of depreciation paid for from operations net of depreciation, not included in contributed capital	<u>(43,891)</u>
Balance, ending	<u><u>\$ 1,622,546</u></u>

These reclassifications are investments in fixed assets, net of depreciation paid for from operations, not included in contributed capital.

NOTE 6: OTHER INFORMATION

A. Pension Plan

Clinton Township Housing Commission participates in Clinton Townships' pension plan, the Municipal Employees' Retirement System, (MERS). MERS is a Defined Benefit Program which operates within the Michigan Department of Management and Budget, Bureau of Retirement Systems. The pension covers all eligible full-time employees and requires a minimum contribution by the employee. At December 31, 2004, the date of the last completed actuarial evaluation, the Township's (the Housing Commission is included) termination liability for retirement benefits is \$32,660,062 (employer and employee combined). Valuation assets available to meet this obligation were \$34,262,159. The Housing Commission and employees contributed \$9,514 during the calendar year 2004. The Township (the Housing Commission is included) has thirteen (13) active members, no vested former members, and one (1) retiree and beneficiary. There is an overfunded balance of \$3,379,213 as of December 31, 2004. Statistical information concerning the plan can be obtained from MERS, which is contained in their annual report.

B. Current Vulnerability Due to Certain Concentrations

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

C. Risk Management and Litigation

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

D. Implementation of New Accounting Standard

As of and for the year ended March 31, 2005, the Housing Commission implemented GASB Statement Number 34, - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund

financial statements, consisting of a series of statements that focus on a government's major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

E. Prior Period Adjustments, Equity Transfers and Correction of Errors

Low Rent Program

Transfer closed 2002 CFP equity to LRPH \$ 79,799

Capital Fund Program

Transfer closed 2002 CFP equity to LRPH \$ (79,799)

Housing Choice Voucher Program

HUD changes to 3/04 52681 \$ 1,039

NOTE 7: SEGMENT INFORMATION

The Housing Commission maintains one Enterprise Fund that includes four separate programs which provide housing assistance and grant programs. Segment information for the year ended March 31, 2005, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>
Condensed Statement of net			
Assets			
Current assets	\$ 285,387	\$ 27,398	\$ 27,978
Property and equipment	<u>1,510,305</u>	<u>112,241</u>	
Total assets	<u>\$ 1,795,692</u>	<u>\$ 139,639</u>	<u>\$ 27,978</u>
Current liabilities	\$ 100,075	\$ 27,398	\$ 25,795
Noncurrent liabilities	<u>18,586</u>		
Total liabilities	<u>118,661</u>	<u>27,398</u>	<u>25,795</u>
Net assets:			
Invested in capital assets	1,510,305	112,241	
Unrestricted net assets	<u>166,726</u>		<u>2,183</u>
Total net assets	<u>1,677,031</u>	<u>112,241</u>	<u>2,183</u>
Total liabilities and net assets	<u>\$ 1,795,692</u>	<u>\$ 139,639</u>	<u>\$ 27,978</u>

**Condensed Statement of
Activities**

Dwelling and nondwelling rents	\$ 171,408	\$	\$
Depreciation	(167,994)	(627)	
Other operating expenses	(491,507)	(66,382)	(162,045)
Operating (loss)	(488,093)	(67,009)	(162,045)
Nonoperating revenues:			
Investment earnings	1,126		124
Other income	2,352		
Operating grants	251,616	66,382	162,215
Capital grants		112,868	
Change in net assets	(232,999)	112,241	294
Prior period adjustments	79,799	(79,799)	1,039
Beginning net assets	1,830,231	79,799	850
Ending net assets	<u>\$ 1,677,031</u>	<u>\$ 112,241</u>	<u>\$ 2,183</u>

**Condensed Statement
of Cash Flows**

Net cash provided (used) by:			
Operating activities	\$ (333,621)	\$ (66,382)	\$ (162,045)
Noncapital financing activities	264,186	66,382	165,398
Capital and related financing activities	(11,862)		
Investing activities	1,126		124
Net increase (decrease)	(80,171)		3,477
Beginning cash and cash equivalents	239,679		22,056
Ending cash and cash equivalents	<u>\$ 159,508</u>	<u>\$</u>	<u>\$ 25,533</u>

SUPPLEMENTARY INFORMATION

CLINTON TOWNSHIP HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
 March 31, 2005
 =====

	C-3031 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
ASSETS		
Current assets:		
Cash	\$ 159,508	\$
Accounts receivable-HUD	32,716	27,398
Accounts receivable-tenants	5,153	
Allowance for doubtful accounts	(4,083)	
Prepaid expenses	39,300	
Due from other programs	<u>52,793</u>	
Total current assets	<u>285,387</u>	<u>27,398</u>
Property and equipment:		
Land	48,000	
Buildings	1,440,255	
Equipment	107,695	
Building improvements	<u>1,852,901</u>	<u>112,868</u>
	3,448,851	112,868
Less accumulated depreciation	<u>(1,938,546)</u>	<u>(627)</u>
Net property and equipment	<u>1,510,305</u>	<u>112,241</u>
Total Assets	<u>\$1,795,692</u>	<u>\$ 139,639</u>

Housing Choice Vouchers 14.871	<u>Totals</u>
\$ 25,533	\$ 185,041
2,445	62,559
	5,153
	(4,083)
	39,300
	<u>52,793</u>
<u>27,978</u>	<u>340,763</u>
	48,000
	1,440,255
	107,695
	<u>1,965,769</u>
	3,561,719
	<u>(1,939,173)</u>
	<u>1,622,546</u>
<u>\$ 27,978</u>	<u>\$ 1,963,309</u>

CLINTON TOWNSHIP HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS (CONTINUED)
 March 31, 2005

=====

	C-3031 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable	\$ 17,679	\$
Tenant security deposit liability	18,702	
Accrued expenses	54,130	
Deferred revenues	2,997	
Accrued liabilities-other	6,567	
Due to other programs	<u> </u>	<u>27,398</u>
Total current liabilities	100,075	27,398
Noncurrent liabilities:		
Accrued compensated absences	<u>18,586</u>	<u> </u>
Total liabilities	<u>118,661</u>	<u>27,398</u>
Net Assets:		
Invested in capital assets	1,510,305	112,241
Unrestricted net assets	<u>166,726</u>	<u> </u>
Total net assets	<u>1,677,031</u>	<u>112,241</u>
Total Liabilities and Net Assets	<u>\$1,795,692</u>	<u>\$ 139,639</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 400	\$ 18,079
	18,702
	54,130
	2,997
	6,567
<u>25,395</u>	<u>52,793</u>
25,795	153,268
<u> </u>	<u>18,586</u>
<u>25,795</u>	<u>171,854</u>
<u>2,183</u>	<u>1,622,546</u>
	<u>168,909</u>
<u>2,183</u>	<u>1,791,455</u>
<u>\$ 27,978</u>	<u>\$ 1,963,309</u>

CLINTON TOWNSHIP HOUSING COMMISSION
COMBINING STATEMENT OF ACTIVITIES
 Year Ended March 31, 2005
 =====

	C-3031 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ <u>171,408</u>	\$ _____
Total operating revenues	<u>171,408</u>	_____
OPERATING EXPENSES:		
Administration	162,421	
Tenant services	300	
Utilities	105,377	
Ordinary maintenance and operation	161,568	
Protective services		66,382
General expenses	61,378	
Casualty losses	463	
Housing assistance payments		
Depreciation	<u>167,994</u>	<u>627</u>
Total operating expenses	<u>659,501</u>	<u>67,009</u>
Operating income(loss)	<u>(488,093)</u>	<u>(67,009)</u>
NONOPERATING REVENUES:		
Investment interest income	1,126	
Other income	2,352	
Capital grants		112,868
Operating grants	<u>251,616</u>	<u>66,382</u>
Total nonoperating revenues	<u>255,094</u>	<u>179,250</u>
Change in net assets	(232,999)	112,241
Prior period adjustments, equity transfers and correction of errors	79,799	(79,799)
Net assets, beginning	<u>1,830,231</u>	<u>79,799</u>
Net assets, ending	<u>\$1,677,031</u>	<u>\$112,241</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
<u>\$</u>	<u>\$ 171,408</u>
	<u>171,408</u>
12,689	175,110
	300
	105,377
	161,568
	66,382
	61,378
	463
149,356	149,356
	<u>168,621</u>
<u>162,045</u>	<u>888,555</u>
<u>(162,045)</u>	<u>(717,147)</u>
124	1,250
	2,352
	112,868
<u>162,215</u>	<u>480,213</u>
<u>162,339</u>	<u>596,683</u>
294	(120,464)
1,039	1,039
<u>850</u>	<u>1,910,880</u>
<u>\$ 2,183</u>	<u>\$ 1,791,455</u>

CLINTON TOWNSHIP HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
 Year Ended March 31, 2005
 =====

	C-3031 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 168,398	\$
Cash payments to other suppliers of goods and services	(293,341)	(66,382)
Cash payments to employees for services	(208,678)	
Cash payments for in lieu of taxes	(-)	
Net cash (used) by operating activities	<u>(333,621)</u>	<u>(66,382)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Tenant security deposits	249	
Due from/to other funds	(19,463)	2,799
Operating grants	280,407	63,583
Other revenue	<u>2,993</u>	
Net cash provided by noncapital financing activities	<u>264,186</u>	<u>66,382</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants		112,868
Payments for capital acquisitions	(11,862)	(112,868)
Net cash (used) by capital and related financing activities	<u>(11,862)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts of interest and dividends	<u>1,126</u>	
Net cash provided by investing activities	<u>1,126</u>	
Net increase(decrease) in cash	(80,171)	
Cash, beginning	<u>239,679</u>	
Cash, ending	<u>\$ 159,508</u>	<u>\$</u>

Housing Choice Vouchers 14.871	Totals
\$	\$ 168,398
(150,620)	(510,343)
(11,425)	(220,103)
	(-)
(162,045)	(562,048)
	249
16,664	
148,734	492,724
	2,993
165,398	495,966
	112,868
	(124,730)
	(11,862)
124	1,250
124	1,250
3,477	(76,694)
22,056	261,735
\$ 25,533	\$ 185,041

CLINTON TOWNSHIP HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
 Year Ended March 31, 2005
 =====

C-3031	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

**RECONCILIATION OF CASH AND CASH
 EQUIVALENTS PER STATEMENT OF CASH
 FLOWS TO THE BALANCE SHEET:**

Cash	\$ 159,508	\$
Restricted cash	<u> </u>	<u> </u>
Cash and cash equivalents per balance sheet	<u>\$ 159,508</u>	<u>\$</u>

**SCHEDULE RECONCILING OPERATING INCOME
 TO NET CASH FLOW FROM OPERATING
 ACTIVITIES:**

Operating income(loss)	\$ (488,093)	\$ (67,009)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	167,994	627
Bad debt allowance	3,006	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	(2,417)	
Prepaid expenses	(5,643)	
Increase (decrease) in liabilities:		
Bank overdraft	(3,410)	
Accounts payable	(13,637)	
Accrued wage/payroll taxes payable	(2,736)	
Accrued compensated absences	7,791	
Accounts payable-PILOT	5,407	
Accrued liabilities-other	(1,290)	
Deferred revenues	<u>(593)</u>	<u> </u>
Net cash (used) by operating activities	<u>\$ (333,621)</u>	<u>\$ (66,382)</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 25,533	\$ 185,041
<u>\$ 25,533</u>	<u>\$ 185,041</u>
\$ (162,045)	\$ (717,147)
	168,621
	3,006
	(2,417)
	(5,643)
	(3,410)
	(13,637)
	(2,736)
	7,791
	5,407
	(1,290)
	(593)
<u>\$ (162,045)</u>	<u>\$ (562,048)</u>

CLINTON TOWNSHIP HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended March 31, 2005
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Major - Direct Program</u>		
2005	Low Rent Public Housing	14.850	\$ 251,616
	<u>Public and Indian Housing Major - Direct Program</u>		
2005	Capital Fund Program	14.872	179,250
	<u>Low Income Public Housing Nonmajor - Direct Program</u>		
2005	Housing Choice Vouchers	14.871	<u>162,215</u>
	Total		<u>\$ 593,081</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

CLINTON TOWNSHIP HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended March 31, 2005

=====

FDS Line Item No.		C-3031 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 159,508	\$
100	Total cash	<u>159,508</u>	
	Receivables:		
122	A/R-HUD other projects	32,716	27,398
126	A/R-tenants-dwelling rents	5,153	
126.1	Allowance for doubtful accounts	(4,083)	
120	Total receivables, net of allowance for doubtful accounts	<u>33,786</u>	<u>27,398</u>
	Other Current Assets:		
142	Prepaid expenses and other assets	39,300	
144	Interprogram due from	<u>52,793</u>	
	Total other current assets	<u>92,093</u>	
150	Total current assets	<u>285,387</u>	<u>27,398</u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	48,000	
162	Buildings	1,440,255	
163	Furn, equip & mach-dwellings	22,885	
164	Furn, equip & mach-admin.	84,810	
165	Building improvements	1,852,901	112,868
166	Accumulated depreciation	(1,938,546)	(627)
160	Total fixed assets, net of accumulated depreciation	<u>1,510,305</u>	<u>112,241</u>
180	Total noncurrent assets	<u>1,510,305</u>	<u>112,241</u>
190	Total Assets	<u>\$ 1,795,692</u>	<u>\$139,639</u>

Housing
Choice
Vouchers
14.871

Totals

\$ 25,533

\$ 185,041

25,533

185,041

2,445

62,559

5,153

(4,083)

2,445

63,629

39,300

52,793

92,093

27,978

340,763

48,000

1,440,255

22,885

84,810

1,965,769

(1,939,173)

1,622,546

1,622,546

\$ 27,978

\$ 1,963,309

CLINTON TOWNSHIP HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2005
 =====

FDS Line Item No.		C-3031 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 5,456	\$
321	Accrued wage/payroll taxes payable	52,065	
322	Accrued compensated absences-current portion	2,065	
333	Accounts payable-other government	12,223	
341	Tenant security deposits	18,702	
342	Deferred revenues	2,997	
346	Accrued liabilities-other	6,567	
347	Interprogram due to		<u>27,398</u>
310	Total current liabilities	100,075	27,398
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>18,586</u>	
300	Total liabilities	<u>118,661</u>	<u>27,398</u>
	Net Assets:		
508.1	Invested in capital assets	<u>1,510,305</u>	<u>112,241</u>
508	Total invested in capital assets	1,510,305	112,241
512.1	Unrestricted net assets	<u>166,726</u>	
513	Total Net Assets	<u>1,677,031</u>	<u>112,241</u>
600	Total Liabilities and Net Assets	<u>\$ 1,795,692</u>	<u>\$139,639</u>

Housing
Choice
Vouchers
14.871

Totals

\$ 400

\$ 5,856

52,065

2,065

12,223

18,702

2,997

6,567

25,395

52,793

25,795

153,268

18,586

25,795

171,854

1,622,546

1,622,546

2,183

168,909

2,183

1,791,455

\$ 27,978

\$ 1,963,309

CLINTON TOWNSHIP HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2005

FDS Line Item No.		C-3031 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 171,408	\$
704	Tenant revenue-other		
705	Total tenant revenue	<u>171,408</u>	
706	HUD PHA grants	251,616	66,382
706.1	Capital grants		112,868
711	Investment income-unrestricted	1,126	
715	Other income	<u>2,352</u>	
700	Total revenue	<u>426,502</u>	<u>179,250</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	88,319	
912	Auditing fees	4,000	
914	Compensated absences	7,791	
915	Employee benefit contributions-adm.	29,801	
916	Other operating-administrative	32,510	
	Tenant Services:		
924	Tenant services-other	300	
	Utilities:		
931	Water	46,313	
932	Electricity	33,396	
933	Gas	25,668	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	65,339	
942	Ordinary maint & oper-mat'ls & other	35,392	
943	Ordinary maint & oper-contract costs	38,354	
945	Employee benefit contributions	22,483	
952	Protective services-other contract costs		66,382
	General expenses:		
961	Insurance premiums	40,510	
963	Payments in lieu of taxes	5,407	
964	Bad debt-tenant rents	8,391	
968	Severance expense	<u>7,070</u>	
969	Total operating expenses	<u>491,044</u>	<u>66,382</u>
970	Excess operating revenue over operating expenses	<u>(64,542)</u>	<u>112,868</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 171,408
	171,408
162,215	480,213
124	112,868
	1,250
	<u>2,352</u>
<u>162,339</u>	<u>768,091</u>
8,625	96,944
	4,000
	7,791
2,800	32,601
1,264	33,774
	300
	46,313
	33,396
	25,668
	65,339
	35,392
	38,354
	22,483
	66,382
	40,510
	5,407
	8,391
	<u>7,070</u>
<u>12,689</u>	<u>570,115</u>
<u>149,650</u>	<u>197,976</u>

CLINTON TOWNSHIP HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2005
 =====

FDS Line Item No.		C-3031 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
972	Casualty losses-noncapitalized	463	
973	Housing assistance payments		
974	Depreciation expense	<u>167,994</u>	<u>627</u>
	Total other expenses	<u>168,457</u>	<u>627</u>
900	Total expenses	<u>659,501</u>	<u>67,009</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(232,999)	112,241
1103	Beginning Net Assets	1,830,231	79,799
1104	Prior period adjustments, equity transfers and correction of errors	<u>79,799</u>	<u>(79,799)</u>
	Ending Net Assets	<u>\$ 1,677,031</u>	<u>\$112,241</u>

Housing
Choice
Vouchers
14.871

Totals

149,356

463

149,356

168,621

149,356

318,440

162,045

888,555

294

(120,464)

850

1,910,880

1,039

1,039

\$ 2,183

\$ 1,791,455

Barry E. Gaudette, CPA, P.C.

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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Clinton Township Housing Commission
Clinton Township, Michigan

I have audited the financial statements of the business-type activities of Clinton Township Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2005, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated November 29, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Clinton Township Housing Commission
Page Two

Compliance and Other Matters (continued)

compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated November 29, 2005.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sary E. Audette, CPA, PC

November 29, 2005

Barry E. Gaudette, CPA, P.C.

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**Report on Compliance with Requirements
Applicable To Each Major Program and
Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Housing Commissioners
Clinton Township Housing Commission
Clinton Township, Michigan

Compliance

I have audited the compliance of Clinton Township Housing Commission, Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2005. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements
Applicable to Each Major Program and
Internal Control Over Compliance in
Accordance with OMB Circular A-133
Clinton Township Housing Commission
Page Two

Compliance (continued)

In my opinion, the Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2005.

Internal Control Over Compliance

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary E. Landolt, CPA, PC

November 29, 2005

CLINTON TOWNSHIP HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 March 31, 2005
 =====

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Housing Commission.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Housing Commission were discovered during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the Housing Commission expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) or OMB Circular A-133 are reported in this Schedule.
7. Identification of major programs:

<u>CFDA</u> <u>Number</u>	<u>Federal Program</u>	<u>Amount</u> <u>Expended</u>	<u>Major</u> <u>Program</u>	<u>Compliance</u> <u>Requirement</u>	<u>Questioned</u> <u>Costs</u>	<u>Audit</u> <u>Finding</u>
14.850	Low Rent Public Housing	\$ 251,616	Yes	O	N/A	N/A
14.872	Capital Fund Program	179,250	Yes	O	N/A	N/A
14.871	Housing Choice Vouchers	<u>162,215</u>	No	O	N/A	N/A
	Total	<u>\$ 593,081</u>				

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Housing Commission was determined to be a low-risk auditee.

CLINTON TOWNSHIP HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2005

=====

B.	Financial Statement Findings	None
C.	Federal Award Findings and Questioned Costs	None

CLINTON TOWNSHIP HOUSING COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
March 31, 2005
=====

NONE

CLINTON TOWNSHIP HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
MARCH 31, 2005
=====

<u>Account Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
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LOW RENT PROGRAM:

There were no adjusting journal entries.

CLINTON TOWNSHIP HOUSING COMMISSION

INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

MARCH 31, 2005

CLINTON TOWNSHIP HOUSING COMMISSION
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**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
Clinton Township Housing Commission

I have audited the financial statements of the Clinton Township Housing Commission ("Housing Commission") as of and for the year ended March 31, 2005, and have issued my report, thereon, dated November 29, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were no audit adjusting journal entries and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and our responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 5 showing there were no audit adjusting journal entries necessary).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

Bary E. Tardiff, CPA, PC

November 29, 2005

Barry E. Gaudette, CPA, P.C.

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**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Clinton Township Housing Commission

I have audited the financial statements of the Clinton Township Housing Commission ("Housing Commission") as of and for the year ended March 31, 2005, and have issued my report, thereon, dated November 29, 2005. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

November 29, 2005

CLINTON TOWNSHIP HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
March 31, 2005

=====

The Housing Commission has implemented internal controls in the disbursement area that appear to be satisfactory.

Also, it should be noted that I did not identify improper revenue recognition as a fraud risk for the following reasons:

- * The Housing Commission uses software for its Tenant Accounting recordkeeping.
- * The Housing Commission does not accept cash for the payment of rents.
- * There is segregation of duties between the collection of rents, the preparation of deposit tickets, and making of the deposit in the bank.
- * The Executive Director compares the deposit ticket and bank receipt to the batch reports and receipts.

CLINTON TOWNSHIP HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
March 31, 2005
=====

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
LOW RENT PROGRAM			

There were no audit adjusting journal entries.